

Just how
flexible
is FSAFEDS?

> FIND OUT INSIDE



Enroll NOW
and get ready to save!

To take advantage of great savings on the health care and dependent care items and services you will most certainly purchase in 2006, visit the FSAFEDS web site or call FSAFEDS toll-free to speak with a dedicated FSAFEDS Benefits Counselor.

**FSAFEDS Open Season begins
November 14, 2005 and ends
December 12, 2005**

> **Current participants MUST re-enroll each year if they want to continue participation. Enrollments DO NOT carry forward from year to year.**

Not only can you enroll at www.FSAFEDS.com, but you can obtain the latest information on program updates and claim forms.

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| <p>> TELEPHONE:
1-877-FSAFEDS toll-free
(1-877-372-3337)
Monday through Friday
9:00 A.M. to 9:00 P.M.,
Eastern Time</p> <p>> TTY:
1-800-952-0450 toll-free</p> <p>> FAX:
1-866-643-2245 (toll-free)
or 1-502-267-2233</p> | <p>> WEB:
www.FSAFEDS.com</p> <p>> EMAIL:
FSAFEDS@shps.com</p> <p>> MAIL:
FSAFEDS Program
P.O. Box 36880
Louisville, KY 40232</p> |
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The Office of Personnel Management selected SHPS as the Third Party Administrator for the day-to-day administration of FSAFEDS.



**FSAFEDS Program
P.O. Box 36880
Louisville, Kentucky 40232**

The information presented in this brochure is not all-inclusive, nor a guarantee of eligibility or payment. Eligibility will be determined by the applicable provisions of the plan, based on Internal Revenue Service regulations for FSA programs.



**Stretch your paycheck farther in 2006.
Save 20-40% or more on your everyday
health and dependent care expenses.**

**FSAFEDS offers pre-tax savings on your
common, out-of-pocket expenses.**

Do you make frequent trips to the drug store for cold and allergy medicines? Do you or your dependents wear eyeglasses or contacts? Do you go to the dentist? As a parent, do you rely on daycare services that allow you to work? If so, then the FSAFEDS Program is just what you need.

FSAFEDS is a Flexible Spending Account (FSA) program for Federal employees that will save you money by allowing you to set aside pre-tax funds to pay for a wide range of common, out-of-pocket health and dependent care expenses. By paying with pre-tax dollars, you reduce your taxes, resulting in a 20% to more than 40% savings on the items and care you need. And not just big expenses, or care in a hospital – you can use FSAFEDS for routine expenses, like aspirin and eye drops, too!

**> Look at these money-saving program
changes!**

FSAFEDS offers several enhancements to make the program more attractive for Federal employees in 2006:

Grace period to incur additional expenses – You have an extra 2 ½ months at the end of the year to incur eligible expenses before you must forfeit any remaining funds. Previously, you had to incur all your expenses by December 31 of the plan year or be subject to the IRS' "use-it-or-lose-it" rule. The grace period gives you an additional 74 days to use up your funds – for

the 2006 benefit period that means until March 15, 2007. This greatly increases your opportunities to spend your entire allotment within the benefit period. We refer to the calendar year plus the new 2 ½ month grace period as the **benefit period**.

More time to submit claims – Not only will you have more time to incur eligible expenses as described above, but you will also have extra time to submit your claims! Using the 2006 benefit period as an example, March 15, 2007 will be your last day to incur eligible expenses and May 31, 2007 will be your last day to submit claims for reimbursement of eligible expenses. Don't forget these very important dates!

Health Care Flexible Spending Account maximum amount has increased for 2006 – **You can now elect as much as \$5,000 for your health care flexible spending account (the previous maximum was \$4,000).** That's more money to spend over a longer period of time. Now THAT'S flexibility!

**The Health Care Flexible Spending
Account (HCFSa)**

You can use an HCFSa to pay for eligible health care expenses not covered by the Federal Employees Health Benefits Program or any other insurance. An HCFSa covers eligible health care expenses* including over-the-counter medications for you, your spouse, and your dependents. You may elect up to \$5,000 each year.

That \$5,000 limit is in addition to any amount your spouse may have in a separate HCFSa, even if your spouse's account is part of the FSAFEDS program. It is not a household limit.



The Dependent Care Flexible Spending Account (DCFSA)

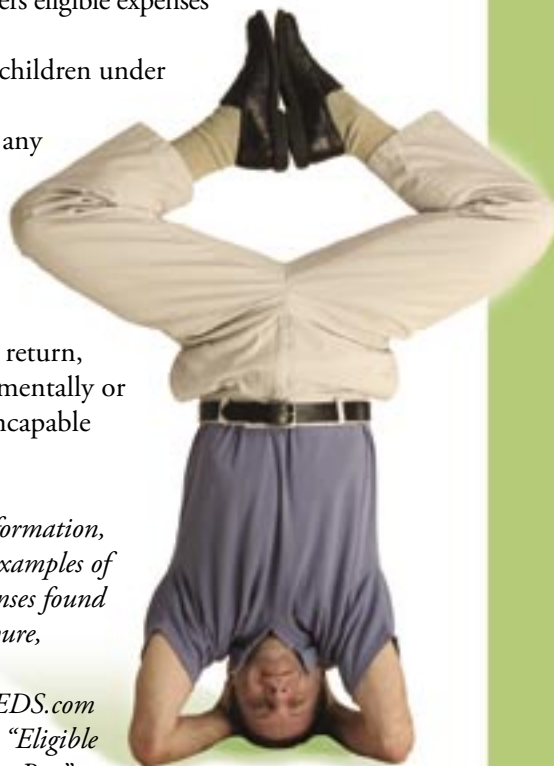
You can use a DCFSA to pay for eligible dependent care expenses that allow you (and your spouse if you're married) to work, look for work, or attend school full-time. You may elect up to \$5,000 each year.

That \$5,000 limit is a total combined amount for your household, including any child care subsidy amounts, in accordance with Internal Revenue Service regulations.

A DCFSA covers eligible expenses* for the care of:

- Dependent children under age 13
- A person of any age you claim as a dependent on your Federal Income Tax return, and who is mentally or physically incapable of self-care

** For more information, refer to the examples of eligible expenses found in this brochure, or go to www.FSAFEDS.com and click on "Eligible Expenses Juke Box" located under the Quick Links heading. You can also contact an FSAFEDS Benefits Counselor at 1-877-FSAFEDS (1-877-372-3337), TTY: 1-800-952-0450. Eligible expenses for FSA programs are defined by Internal Revenue Code Sections 105, 125, and 129.*



FSAFEDS eligibility

Employees of participating Federal agencies who are eligible for FEHB (whether enrolled or not) may elect an FSAFEDS Health Care FSA. Except for intermittent employees who are expected to work fewer than six months, all employees of participating Federal agencies may enroll in a Dependent Care FSA, even if they are not eligible for FEHB.

Save yourself money on everyday health care needs through FSAFEDS!

You can use an HCFSA for your own eligible but non-reimbursed health care expenses as well as those for anyone you claim as a dependent on your Federal Income Tax return.

Here are some health care expenses that are not typically paid by insurance or any other source that may be eligible under your HCFSA. (For a detailed list, go to www.FSAFEDS.com and click on "Eligible Expenses Juke Box" located under the Quick Links heading.):

- Co-payments, co-insurance and deductibles (but not premiums, including long-term care insurance premiums)
- Acupuncture
- Artificial reproductive technologies
- Childbirth classes
- Chiropractic care
- Dental care (including crowns, endodontic services, implants, oral surgery, periodontal services, sealants). This includes deductibles and co-payments not covered by any dental plan.
- Diabetic supplies
- Expenses that exceed medical, dental or vision plan limits (including dollar or visit maximums or amounts that exceed plan allowances, such as out-of-network providers)
- Hearing aids (including batteries)
- Home medical equipment (e.g., crutches, wheelchairs*, canes, oxygen, respirators, etc.)

- Laser eye surgery
- Learning disability treatments and therapies (including speech therapy and remedial reading)*
- Mattresses and bed boards*
- Medical supplies
- Occupational therapy
- Orthodontia
- Orthotics
- Over-the-counter medicines (not including vitamins and dietary supplements)
- Physical therapy
- Prescription drugs
- Preventive care screenings
- Prosthetics*
- Psychiatric services and care
- Smoking cessation programs (including over-the-counter treatments)
- Specialized equipment or services for disabled persons (e.g., automobile modifications; Braille books and magazines; guide, companion or service animals; home alert systems for visual/hearing impaired persons; note-takers or ASL interpreters; tape recorders and typewriters for the visually impaired; etc.)*
- Sunscreen
- Transportation expenses related to medical care
- Vision care, eyeglasses (including prescription sunglasses) and contact lenses
- Water fluoridation*
- Well-baby and well-child care
- Whirlpool baths*
- Wigs (for hair loss due to a disease)*

** These expenses require a letter of necessity from your health care provider in order to be considered eligible for reimbursement. The letter must include the diagnosis or symptoms for which you or your dependent are being treated, along with specific information on how the product or service will alleviate symptoms or improve function.*

Some ineligible expenses include:

- Cosmetic procedures (unless required to restore appearance or function due to disease or illness)
- Expenses you claim on your income tax return
- Expenses reimbursed by other sources, such as insurance plans
- Fitness programs (unless medically necessary)
- Hair transplants
- Illegal treatments, operations, or drugs
- Insurance premiums, including COBRA, Tricare, dental, vision and long-term care insurance premiums
- Prescription drug discount program fees
- Weight loss programs for general well-being

FSAFEDS gives you the power to save on dependent care costs, too.

The DCFSA reimburses you for dependent care expenses that allow you (and your spouse if you're married), to work, look for work, or attend school full-time.

You can use your DCFSA to pay eligible expenses for the care of your dependent children (under age 13) or any person you claim as a dependent on your Federal Income Tax return who is mentally or physically incapable of self-care.



Here are some typical examples of eligible dependent care services:

- Child care (at a daycare center, day camp, nursery school or by a private sitter)
- Late pick-up fees (from a caregiver)
- Before and after-school care (must be billed separate from tuition expenses)
- Adult daycare expenses
- Expenses for a housekeeper whose duties include caring for an eligible dependent
- Placement fee expenses for hiring an au pair, as well as his/her weekly stipend

Eligible dependent care services cannot be provided by a person you claim as a dependent.

Some ineligible expenses include:

- Education and tuition fees
- Late payment fees
- Overnight camps (in general)
- Sports lessons, field trips, clothing
- Transportation to and from a dependent care provider

Using FSAFEDS is quick and easy.

You can start saving money through FSAFEDS by following these four simple steps:

1. Estimate Your Contribution

First, estimate how much money you'd like to set aside for the year. To help you with your estimate, use the FSA calculator at www.FSAFEDS.com (click on "FSAFEDS Calculator" located under the Quick Links section). You can allot up to \$5,000 to an HCFSAs and up to \$5,000 to a DCFSAs. Both accounts have a minimum election amount of \$250 per benefit period.

Please be sure to estimate your expenses carefully. Remember: The FSAFEDS 2006 benefit period runs from January 1, 2006 through March 15, 2007. This gives you 14 ½ months to incur eligible expenses and apply them against your 2006 HCFSAs and/or DCFSAs election amount(s).

➤ **Very Important: You will forfeit any funds remaining in your FSA account(s) after March 15, 2007 for which you have not incurred an eligible expense. However, you have until May 31, 2007 to file claims for reimbursement of eligible expenses incurred during the 2006 benefit period.**

2. Enroll During Open Season

Online – Just go to www.FSAFEDS.com and click on the "Enroll Here" link contained in the Open Season box. This will lead you through a simple online enrollment process. When you finish you'll be able to print a confirmation statement for your records. Your confirmation statement is also available at any time online at www.FSAFEDS.com. You cannot enroll online if you are an employee who still receives a paper payroll check. You must contact an FSAFEDS Benefits Counselor to enroll.

➤ **Current participants MUST re-enroll each year if they want to continue participation. Enrollments DO NOT carry forward from year to year.**



By phone – You can also enroll by calling an FSAFEDS Benefits Counselor toll-free at 1-877-FSAFEDS (1-877-372-3337), TTY: 1-800-952-0450 Monday through Friday, 9:00 A.M. until 9:00 P.M., Eastern Time.

3. Incur an Eligible Expense and Submit Your Claim

When you incur an eligible expense during the 2006 benefit period, you first pay for it out-of-pocket. Then you need to download a claim form from www.FSAFEDS.com, complete the form and fax or mail it. All claims must be accompanied by appropriate documentation, such as an itemized receipt or Explanation of Benefits. If your FEHB plan participates, you may wish to sign up for Paperless Reimbursement. This means your FEHB plan sends a file to FSAFEDS to process your FEHB out-of-pocket expenses and you don't have to file paper claims for your HCFSAs. Visit www.FSAFEDS.com for more information about Paperless Reimbursement.

4. Get Reimbursed Fast

FSAFEDS processes claims on a daily basis during the work week in the order they are received. Your money is wired directly to your savings or checking account via Electronic Funds Transfer (EFT) as soon as possible after we receive your claim.

Managing your FSA

Two simple ways to manage your FSAFEDS account:

Online

FSAFEDS.com is always open. It gives you immediate access to your personal account, online customer service, claim forms, an interactive calculator and much more. FSAFEDS.com uses encryption technology to protect the privacy of your personal information. Just log on to www.FSAFEDS.com and click on “My Account Summary” for your password-protected access.

Phone

Program and account information is available by calling 1-877-FSAFEDS (1-877-372-3337), TTY: 1-800-952-0450. FSAFEDS Benefits Counselors are available Monday through Friday, 9:00 A.M. to 9:00 P.M., Eastern Time to answer your questions.

FSAFEDS equals Federal tax savings

An FSA provides a mechanism for you to set money aside for eligible health and dependent expenses before taxes are deducted from your paycheck. This means you pay less tax on your annual income. The tax savings translate into a significant discount on what you pay for common out-of-pocket expenses. Here's an example:

Annual Savings Example*	CSRS		FERS	
	FSA	No FSA	FSA	No FSA
Annual pay	\$50,000	\$50,000	\$50,000	\$50,000
Pre-tax FSA contribution	(2,000)	0	(2,000)	0
Taxable income	48,000	50,000	48,000	50,000
Federal Income and Social Security Taxes	(8,866)	(9,395)	(11,842)	(12,495)
After-tax dollars spent on eligible expenses	0	(2,000)	0	(2,000)
Available after tax income	39,134	38,605	36,158	35,506
Discount with an FSA:	\$529*or 26%		\$653*or 33%	

* This example illustrates tax savings based on 25% Federal and 7.65% FICA taxes. This results in a 32.65% discount on eligible expenses paid through an FSA. Actual savings will vary based on your individual tax situation, and on whether you are covered under Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS). You may wish to consult a tax professional for more information on the tax implications of an FSA.

Learn how much you can save with FSAFEDS right now!

Complete this brief worksheet to see just how much you can save by enrolling in FSAFEDS.

1. Find your Federal Income Tax rate, based on your expected 2006 income:

Tax Rate	Single or Head of Household
15%	\$9,800 to 31,500
25%	\$31,501 to 69,750
28%	\$69,751 to 151,950

Tax Rate	Married, Joint Return
15%	\$22,600 to 66,200
25%	\$66,201 to 120,750
28%	\$120,751 to 189,600

2. Enter your total Federal tax rate: #1 plus 1.45% for CSRS or 7.65% for FERS: _____%
This percentage is the discount you will receive by using an FSA for eligible health care and dependent care expenses, before state or local income taxes are deducted.
3. Enter your planned FSA contribution for 2006: \$_____
4. Multiply #3 by #2. This is the amount an FSA can save you in 2006 on eligible expenses. \$_____

Still just “thinking” about enrolling in FSAFEDS?

Here are some responses to common reasons for not participating:



“I don’t have enough expenses”

Most health insurance out-of-pocket expenses are eligible for reimbursement with your HCFA, including office visits, co-payments, deductibles, eyeglasses, contact lenses and dental expenses, including braces. Over-the-counter medicines are also eligible (Tylenol, Benadryl, Tums, Prilosec, Robitussin, and many more). Even sunscreen and band-aids are eligible. If you or your dependents use any of the above, FSAFEDS might be for you. The FSAFEDS Calculator at www.FSAFEDS.com will help you itemize your expenses. Scroll down to the bottom of the home page and click on “Savings Calculator.”



“It takes too long for my money to get reimbursed to me”

It doesn't take as long as you think! Your money is wired directly to your savings or checking account as soon as possible after we receive your claim.

“I just don't have enough information to decide”

The FSAFEDS web site offers extensive resources devoted to the FSAFEDS program, including FAQs, glossary of terms, program updates, eligible expense listings and much more. Visit www.FSAFEDS.com for more information.



“I'm not comfortable with the risk of losing money because of the 'use-it-or-lose-it' rule”

FSAFEDS gives you a 14 ½ month benefit period to use up your FSA funds before having to forfeit any money in your account! Consider contributing a “safe” amount if you are a new participant. Contributing as little as \$300 per plan year still generates about \$100 extra cash from the tax savings you will realize. You can view an extensive list of items eligible for reimbursement, including common over-the-counter items at www.FSAFEDS.com. Scroll down to the bottom of the home page and click on “Eligible Expenses Juke Box.”



“I don't like to hassle with claim forms”

You can sign up for Paperless Reimbursement if your FEHB plan participates in this program. If they do, your FEHB plan submits the claim on your behalf. Visit www.FSAFEDS.com for more details about Paperless Reimbursement. Scroll down to the bottom of the home page and click on “Program Information” then click on “Paperless Reimbursement Overview.”